

**DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the **Department of Housing and Community Development** for the year ended June 30, 1999, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no matters involving internal controls and its operation that we consider material weaknesses;
- no instances of noncompliance with applicable laws and regulations that are required to be reported; and,
- adequate implementation of corrective action on prior audit findings.

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AUDIT SUMMARY

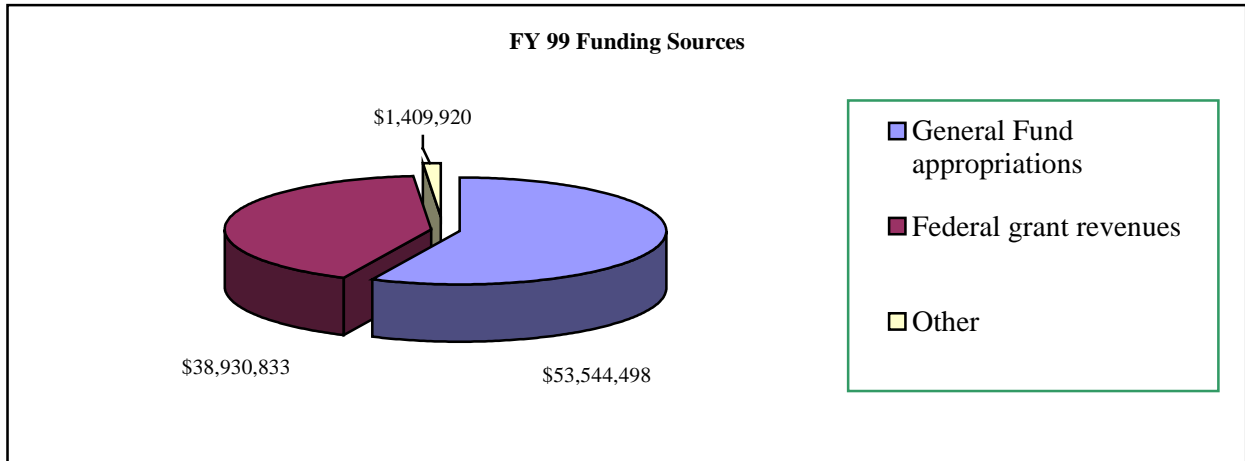
AGENCY BACKGROUND AND FINANCIAL INFORMATION

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AGENCY OFFICIALS

AGENCY BACKGROUND AND FINANCIAL INFORMATION

The Department of Housing and Community Development administers housing assistance services, economic development, and regulatory programs. The Department assists rural and distressed communities in addressing their community development needs, enabling individuals to have safe, decent, affordable housing. The Department receives funding primarily from the General Fund and federal grants.



The Department is divided into four functional divisions: Housing, Community Development, Building and Fire Regulation, and Administration.

Division of Housing

The Division of Housing provides grants, loans, training, and technical assistance for a variety of housing initiatives and includes the following programs.

- The *Home Investment Partnership Program* is a multi-purpose, federally-funded grant program that seeks to expand the supply of decent and affordable housing for low-income individuals.
- The *Lead-based Paint Abatement Program* is a federally-funded grant program to fund the inspection and abatement efforts in pre-1978 housing.
- The *Weatherization Program* and the *Emergency Home Repair Program* provide energy-related improvements to existing housing units.
- The *Affordable Housing Production/Preservation Program* provides low-interest loans for the construction/acquisition and rehabilitation of multi-family rental properties.
- The *Shelter and Supportive Services Program* implements programs targeted to the homeless, persons in imminent risk of homelessness, and special-needs populations.
- The state-funded *Seed Fund Program and Housing Training Center* and the federally-funded *Development Assistance and Pre-Development Loan Fund Programs* foster opportunities for community revitalization by providing funding, training, and assistance for housing issues directly impacting the community.

Division of Community Development

The Division of Community Development coordinates the economic and community development activities of the Department. This Division administers numerous programs that are designed to address a broad range of community and economic development needs and to enhance economic vitality in communities. These programs include the following:

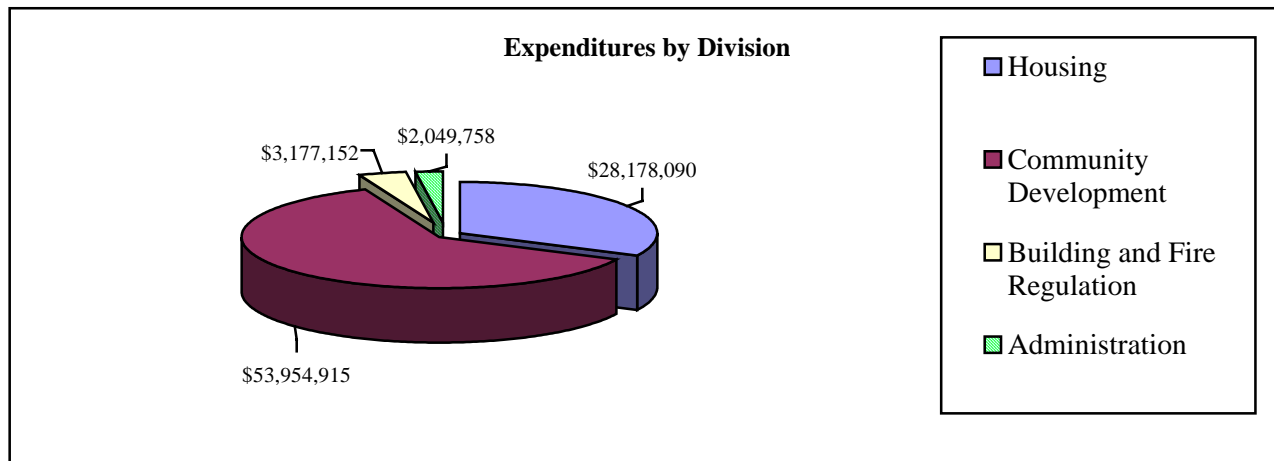
- The *Community Development Block Grant (CDBG) Program* provides federal community development grant funding to localities for water, sewer, housing rehabilitation, and economic opportunities for low and moderate-income citizens.
- The *Appalachian Regional Commission (ARC) Program* provides financial assistance to communities located within the Commonwealth's Appalachian Region primarily to support community development and job creation initiatives.
- The *Virginia Enterprise Zone Program* provides State incentives to businesses creating new jobs or making real property investments within designated geographic zones and communities.
- The *Main Street Program* promotes comprehensive economic and physical revitalization of historic downtowns and neighborhood commercial districts in towns and cities.
- The *Virginia Enterprise Initiative (VEI)* provides state grant funding to support enterprise development programs and to promote entrepreneurship for lower-income Virginians.

Division of Building and Fire Regulation

This Division provides technical assistance and staffing to the boards responsible for the development and adoption of building and fire prevention codes. The Division administers such codes, manages the Virginia Building Code Training Academy, and administers the provisions of the certification standards for building/fire officials and technical assistants.

Division of Administration

Administration provides departmental and administrative support services and functions that are essential to fulfill the Department's mission. These services and functions include computer services, financial management for grants, personnel, budgeting, research, procurement, payroll, and disbursements.



February 4, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit and
Review Commission
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the Department of Housing and Community Development for the year ended June 30, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Federal Grants and Contracts
Expenditures
Revenues

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

AUDIT CONCLUSIONS

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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jld:44

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Richmond, Virginia

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